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INFORMATION REPORT

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CONFIDENTIAL

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COUNTRY China

SUBJECT Conditions in Shanghai

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SUPPLEMENT TO
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1. The Chinese Communist government in Shanghai has checked inflation and stabilized currency, but people still cannot earn enough money to buy necessities, even though prices are low. Factory operators have no money to buy raw materials and cannot get credit except under stringent terms: they find they will lose money after paying interest and wage expenses. Farmers have no money to buy seed grain: if they borrow from the government, they must pay the major part of their harvest as interest, leaving barely enough for living expenses. People consider it not worth while to work and call the situation "currency stability but economic stagnation." Less than fifty percent of the rice and wheat fields near the city are cultivated and shortages of staple foods are anticipated. Production is increasing but it is still inadequate.
2. In early June 1950, prices had fallen twenty percent and the bank loan had dropped to 4.5 percent. The Communist government bank is giving bonuses or prizes to anyone who can bring it business. It has established elaborate stalls in the busiest business section, in front of the Chase National Bank on the corner of Szechuan and Nanking Roads, where barkers shout to passers-by to save and deposit money. Interest rates offered are the same as those offered by private banks. The government bank, moreover, to encourage its use, sends out men to watch private banks and accost private bank customers, advising them to deal with the government bank, which they say offers better facilities at the same interest. Private banking business is dwindling daily.
3. The Palace Hotel of Shanghai now has signs on its windows saying "Cheap Lunches Served Quickly", "Reduced Prices", "No Tips", and "Tea Served Free with Meals". Similar signs appear in other well-known restaurants such as the Golden Gate, Nam Kuo, and the Hung Min. The Park Hotel has signs saying "Rooms with Running Hot Water", "Take a Bath Here", "Twenty Percent Off on Food and Drinks", "Coffee only JRP 3,000 Per Cup", "Come and Be a High Class Man - Dine at the Park Hotel", "Don't Lose This Opportunity". Coolies and laborers can be seen sitting in the Park Hotel lounge, and when they argue with the hotel's well-to-do guests, as they often do, the police do not intervene. If the arguments become serious, the disputants must go to the Public Welfare Office to have the argument settled. This is called: "Fair Method Settlement Without Oppression".

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4. All the large department stores and the North Railway Station are exclusive agents for selling government produce. Prices are low because the produce comes directly to these places, thus eliminating the middleman's commission. The four big department stores have auction rooms where salesmen urge people to buy, shouting "We are forced to sell. Buy what we are forced to sell."
5. Most of the stalls are run by the unemployed or refugees from other provinces, who live at their stalls. These people can scarcely earn enough for food and feel very bitter. All businesses are taxed thirty percent for stocks on hand and stocks must bear a duty tax label. Many small shopkeepers are very worried over this and fear they will have to close their shops. The latest slogan of the government is "Raise funds for Shanghai's jobless".* Suicide is a common occurrence in Shanghai, but newspapers make no mention of this.
6. Although the government tries to discourage gaiety and night life, there are still several night clubs operating. Morality rules and admonitions to become useful citizens are posted on the walls of the clubs. No liquor is served, and tea costs JRP 8,000 per cup including tax. The most popular night clubs are the Park Hotel, Giro's, the Palace Hotel, and the French Club.
7. Under the Communist regime, people appear more responsible and more honest than formerly. There is still much corruption, but as soon as a case is discovered, it is dealt with very strictly and promptly. The high-handed methods of the police and the passing out of graft and tea money no longer exist. There is a very active organization operating in the city called the "Anti-Corruption Society", which solicits people's suggestions on various matters and has the power to judge those accused of acts against the people. Another organization called "Anti-Officialdom" is directed against officials of the Kuomintang charged with having oppressively extracted money from the people.
8. About 7,000 Soviets are estimated to be in the Shanghai area. They live at the old Standard Oil residences near the Hungjao airfield, at Pootung, and at Kiangwan. Former employees of the restaurants on Nanking Road and Foochow Road which have been closed have found jobs as servants to the Soviets. Although Soviets are frequently seen around town, they keep rather quiet and walk about accompanied by local Chinese boys as interpreters. They invariably shop with foreign currency.
9. Since 1 March 1950, about fifty Soviet firms and offices have opened in Shanghai to carry on Sino-Soviet trade. Shanghai residents believe that these firms have some special arrangement with the Chinese Communist government to operate as monopolies.
10. The treaty with the USSR has alienated people from the government: one of the chief complaints of the Shanghai people is government insistence on consulting the USSR on everything. They ask why the Chinese Communist government should be dictated to by the USSR; what ulterior motives the Soviets have; why Soviet military officers are paid better than Chinese of the same rank; why so many Chinese want to leave their home towns; and what is being done to relieve famine and unemployment. No one is supposed to speak disparagingly of the Soviets, or he will be accused of being a suspicious character or a Kuomintang spy.

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* [REDACTED] Communist radios and press releases show evidence of a large-scale campaign to collect relief funds for the unemployed in Shanghai. Contributions have been announced from many of the larger cities of east and central China.

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